

# Staff Summary Report



Council Meeting Date: 1/19/2012

Agenda Item Number: 5B4

**SUBJECT:** Request approval to increase the contract amount with Above All Plumbing, RKS Plumbing and Service Pros Plumbing for plumbing services related to the City of Tempe Service Line Protection Program (SLiPP) overseen by the Public Works Department.

**DOCUMENT NAME:** 20120119fst03 PURCHASES (1004-01)

**COMMENTS:** Additional spending will not exceed \$100,000 and will increase the contract amount from \$100,000 to \$200,000. The contracts are valid through November 1, 2012.

**PREPARED BY:** Tony Allen, CPPB, Procurement Officer, 480-350-8548

**REVIEWED BY:** Jerry Hart, CPA, Deputy Finance & Technology Director-Finance, 480-350-8505  
Michael Greene, CPM, Central Services Administrator, 480-350-8516  
Don Bessler, Public Works Director, 480-350-8205  
John Osgood, Deputy Public Works Director – Field Operations, 480-350-8949  
Wendy Springborn, Engineering Services Administrator, 480-350-8250

**LEGAL REVIEW BY:** Dave Park, Assistant City Attorney, 480-350-8907

**DEPARTMENT REVIEW BY:** Ken Jones, Finance & Technology Director, 480-350-8504

**FISCAL NOTE:** (RFP 12-029) Sufficient funds have been appropriated in the General Fund for the anticipated expenditures in the current fiscal year.

**RECOMMENDATION:** Approve the increase to the contract value.

**ADDITIONAL INFO:** City Council originally approved the award of contracts to Above All Plumbing, RKS Plumbing and Service Pros Plumbing on October 20, 2011 for an initial one-year contract period with four one-year renewal options in an amount not to exceed \$100,000.

SLiPP is a City of Tempe operated program that provides financial assistance of up to \$5,000 per covered service line for each 12 month period to homeowners who maintain their eligibility with a monthly payment through their current utility bill.

The program began providing plumbing repair services to program subscribers on November 1, 2011.

## Program Income and Expenditures

SLiPP currently has 1,600 subscribers which will generate \$230,000 of revenue in the initial year of program operation.

The City has had 32 services calls under the program at an average cost of approximately \$2,250 per call – about \$72,000 in City expenditures. Of these calls, 11 have involved replacement of Orangeburg sewer pipe. Orangeburg pipe is made from layers of wood pulp and pitch pressed together and has not been approved for use by Tempe building code since the 1970's. Any repair involving Orangeburg pipe has a higher repair cost since the program requires total replacement of the pipe instead of a section repair.

The City has exercised due diligence in administration of the program, and, per the terms and conditions of the program, rejected five requested repairs when direct evidence showed that the problem was not directly related to the coverage as allowed by the program.

The higher than expected rate of services calls and the higher cost resulting from the disproportionate subscribership in the older areas of the City, where previous City Code allowed for the use of Orangeburg pipe, has resulted in the need to request an increase in the approved spending level for the program.

While the rate of calls has been higher than projected, call frequency is expected to decrease over the next few months resulting in a more sustainable program. Additionally, in an effort to mitigate the future costs of the program, staff is currently gearing up for another subscription push that may move the program toward a more geographically balanced distribution of subscribers.

Based on the current call frequency, and cost per repair, the program could exceed the originally approved spending ceiling before the end of January.

Recommendation

It is the recommendation that the contract spending increase be approved.